

STATE OF WASHINGTON



OF OFFICE OF
INSURANCE COMMISSIONER

In the Matter of

ACE AMERICAN
INSURANCE COMPANY

Authorized Insurer.

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CONSENT ORDER
LEVYING A FINE

NO. D2001-08

FINDINGS OF FACT:

1. Ace American Insurance Company ("Ace American" or the "Company") is an insurer authorized to conduct property and casualty insurance business in the State of Washington.
2. On March 28, 2000 The Office of the Insurance Commissioner ("OIC") received a consumer complaint regarding a denial of claim number 660P7475886 on Ace policy 1272877-1, a "Disaster Mortgage Protection Policy" for Washington insureds Jeffrey and Patricia Lippert. The Company had denied the claim on the basis of a "Termination" provision in the policy. The complaint requested that the company provide a copy of any written notice of cancellation sent to the insureds.
3. By letter of March 31, 2000 the OIC requested that the Company review the policy and/or claim file in question and respond to the complaint regarding notice of policy cancellation. This letter also requested that the Company provide the OIC with copies of cancellation and proof of mailing.
4. By letter of April 12, 2000 the Company advised the OIC that the claim in question was denied under the "Termination" section of the policy rather than the "Cancellation" section of the

policy, and therefore the Company did not send a notice of cancellation to the insureds prior to the denial of the claim in question.

5. By letter of April 24, 2000 the OIC again requested that the Company provide a copy of the notice of cancellation and proof of mailing.
6. By letter of May 4, 2000 the Company confirmed that it did not send the consumers a Notice of Cancellation prior to the denial of their claim. On this day the Company also provided the OIC with a copy of the policy's provisions.
7. After reviewing the policy provisions, the OIC sent a letter to the Company on May 9 notifying it that the "Termination" provision under which the Company had denied the claim was in fact not valid because a Washington Amendatory Endorsement to the policy rendered that particular provision ineffective. The letter informed the Company that it should review the matter, that the position of the OIC was that the claim should be paid, and that the letter required written response by the Company within 15 working days of receipt.
8. The OIC never received a response to its May 9, 2000 letter.

CONCLUSIONS OF LAW

1. Ace American's misrepresentation of the terms of policy 1272877-1 violates Revised Code of Washington ("RCW") 48.30.090.
2. Ace American's misrepresentation of pertinent facts and or insurance policy provisions with respect to Policy 1272877-1 is an unfair claims settlement practice that violates Washington Administrative Code ("WAC") 284-30-330.
3. Ace American's failure to deliver or mail to the named insureds a written notice of the cancellation of Policy 1272877-1 not less than 10 days prior to the cancellation of the policy violates RCW 48.18.290.
4. Ace American's failure to acknowledge pertinent communications violates WAC 284-30-360.

CONSENT TO ORDER

Ace American Insurance Company hereby admits to the foregoing Findings of Fact and Conclusions of Law.

The Commissioner has offered a settlement in lieu of suspending or revoking Ace American Insurance Company's certificate of authority.

By agreement of the parties, the OIC will impose a fine of Forty Thousand Dollars (\$40,000) on Ace American Insurance Company, and suspend Seventeen Thousand Five Hundred Dollars (\$17,500) of that amount, on condition that:

1. Ace American Insurance Company pays Twenty-two Thousand Five Hundred Dollars (\$22,500) of the fine for its violations of Washington insurance law within thirty days of the entry of this Order.
2. Ace American Insurance Company executes and carries out all details of the "Compliance Plan" as set forth in Exhibit 1.
3. Ace American Insurance Company commits no further violations of the statutes and regulations that are the subject of this Consent Order for a period of two years from the date on which this Order is entered. The OIC will not impose the balance of the fine nor proceed against Ace American's certificate of authority should it commit isolated, de minimis, violations of the statutes and regulations that are the subject of this Consent Order during the suspense period, as determined by the OIC. Ace American commits to rectifying such violations promptly if and when they are discovered.

EXECUTED and AGREED this _____ day of _____, 2001.

ACE AMERICAN INSURANCE COMPANY

NAME, SIGNED

NAME, TYPED

TITLE

ORDER

Pursuant to RCW 48.05.185, the Insurance Commissioner hereby imposes a fine of Forty Thousand Dollars (\$40,000) upon Ace American Insurance Company, and suspends Seventeen Thousand Five Hundred Dollars (\$17,500) under the Conditions set forth in the Consent to Order section of this Consent Order. Twenty-two Thousand Five Hundred Dollars (\$22,500) of the fine must be paid in full within thirty days of the date of entry of this order. Failure to pay this portion of the fine and to comply with the stated Conditions shall constitute grounds for recovery of the full fine, including the suspended portion, and for revocation of Ace American Insurance Company's certificate of authority in a civil action brought on behalf of the Insurance Commissioner by the Attorney General of the State of Washington.

ENTERED AT OLYMPIA, WASHINGTON, this _____ day of _____, 2001.

MIKE KREIDLER
Insurance Commissioner

By: _____
Matthew Krieger
Legal Affairs Division
Office of Insurance Commissioner